

## Message Text

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17

ORIGIN ARA-20

INFO OCT-01 ISO-00 SS-20 SP-03 MMS-04 PM-07 L-03 EB-11

CU-04 INR-10 CIAE-00 DODE-00 ACDA-19 AGR-20 AID-20

COME-00 NSC-07 OMB-01 OPIC-12 PC-10 TRSE-00 USIA-15

RSC-01 /188 R

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APPROVED BY ARA-LA/CAR:JRBURKE

ARA-LA/CAR:WBWHEELER

CU/ARA:FHENNEKE

COM:WHADAR

OSD:CAPT. GOODEN, USN

ARA-LA/PLC:JMARTIN

ARA-LA/ECP:JLANDBERG

JCS:CAPT. SLOUGH, USN

COM:(OTP) MR. ADES

----- 079933

R 282151Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON

C O N F I D E N T I A L STATE 140725

E.O. 11652: GDS

TAGS: PFOR, JA, US

SUBJECT: JAMAICA FY 1975-FY 1976 CASP

REF: KINGSTON A-47 OF APRIL 30, 1974

1. ON JUNE 20 THE PRE-IG WAS HELD AT THE DEPARTMENT ON THE JAMAICA CASP. AS EXPECTED, SOME OF THE MATTERS ADDRESSED IN THE CASP REQUIRED UPDATING. BEYOND THAT, HOWEVER, THE CONSENSUS AT THE PRE-IG WAS THAT THE JAMAICA CASP NEEDED EXTENSIVE REVISION. THE MAJOR ALTERATIONS THAT ARE PROPOSED FOLLOW. (THEY WILL ALSO APPEAR IN THE CHANGE SHEET WHICH WILL INCLUDE MINOR MODIFICATIONS AS WELL.)

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2. PAGE 4 - IMPORTANT ASSUMPTIONS: OMIT NUMBERED PARAS

1, 3, 4, 5, 7, AND 8. INSERT NEW ASSUMPTION NO. ONE. "THE U.S. ECONOMY IS PRESENTLY HIGHLY DEPENDENT ON JAMAICAN BAUXITE AND WILL CONTINUE TO BE SO DURING THE CASP TIME-FRAME. SIXTY-SEVEN PER CENT OF U.S. BAUXITE NEEDS AND 24 PER CENT OF U.S. ALUMINA REQUIREMENTS ARE PRESENTLY SUPPLIED BY JAMAICA. MOREOVER, U.S. FIRMS HAVE APPROXIMATELY DOLS.630 MILLION INVESTED IN THE JAMAICAN BAUXITE/ALUMINA INDUSTRY, AND DOLS.473 MILLION OF THIS ESTIMATED INVESTMENT IS COVERED BY OPIC INVESTMENT GUARANTEES."

INSERT NEW ASSUMPTION NO. TWO. "ANNUAL BAUXITE/ALUMINA EXPORTS FROM JAMAICA IN 1973 WILL INCREASE FROM THE PRESENT

LEVEL OF ABOUT 50 PER CENT OF JAMAICAN GROSS FOREIGN EXCHANGE EARNINGS."

INSERT NEW ASSUMPTION NO. THREE. "FACED WITH A DECLINE IN FOREIGN EXCHANGE RESERVES AND A PROJECTED DOLS. 90 MILLION INCREASE IN OIL IMPORT COSTS AS A RESULT OF PRICE ESCALATIONS, JAMAICA WILL INCREASINGLY RELY ON GREATER FOREIGN EXCHANGE EARNINGS FROM BAUXITE. PROPOSALS MADE TO THE COMPANIES INCLUDED PROVISIONS FOR GREATER REVENUE RETURNS TO THE GOJ, THE REVERSION OF CERTAIN LANDS, AND PARTICIPATION. BECAUSE OF INABILITY TO REACH AGREEMENT WITH THE COMPANIES ON REVENUE MEASURES WITHIN THE TIME SET BY THE GOJ, THE GOJ IMPOSED BY LEGISLATION A NEW TAX ON BAUXITE PRODUCTION IN JUNE 1974 WHICH WILL YIELD AN ESTIMATED DOLS. 150 TO 200 MILLION PER YEAR IN NEW REVENUES."

3. PAGE 5 INSERT AS PART OF RECOMMENDATION: "WHILE THE U.S. GOVERNMENT IS NOT A PARTY TO THE CONTRACTS BETWEEN THE GOJ AND INDUSTRY, THE U.S. ECONOMIC AND FINANCIAL STAKE IN THE INDUSTRY (INCLUDING OPIC GUARANTEES) AND ITS ECONOMIC STAKE IN AN UNINTERRUPTED FLOW OF JAMAICAN BAUXITE AND ALUMINA TO THE U.S. ALUMINUM INDUSTRY UNTIL ALTERNATE SOURCES MIGHT BE DEVELOPED, DICTATE THAT IT MAKE EVERY EFFORT TO AVOID EITHER PARTY FROM TAKING EXTREME POSITIONS THAT MIGHT LEAD TO RETALIATION. THE U.S. GOVERNMENT SHOULD CONTINUE TO ENCOURAGE AND FACILITATE A CLOSE AND CONSTRUCTIVE DIALOGUE BETWEEN THE TOP LEVELS OF THE JAMAICAN

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GOVERNMENT AND THE BAUXITE/ALUMINA INDUSTRY. THE NEGOTIATIONS NOW IN PROGRESS ARE THE FIRST IN A SERIES WHICH SHOULD BE CAREFULLY MONITORED IN ORDER TO TAKE ADVANTAGE OF OPPORTUNITIES FOR THE EXERCISE OF A CONSTRUCTIVE INFLUENCE."

4. PAGE 6 - UNDER IMPORTANT ASSUMPTIONS - NUMBERED PARAGRAPH FOUR, OMIT LAST SENTENCE. UNDER ISSUE RESOLUTION RECOM-

MENDATION - DELETE ALL FOLLOWING "IN THE U.S." AND ADD -  
"FUTURE DEVELOPMENT ASSISTANCE INVOLVING LOANS OR GRANTS  
SHALL TAKE INTO ACCOUNT THE NEW LEVEL OF REVENUES GENER-  
ATED FROM THE BAUXITE/ALUMINA INDUSTRY."

5. PAGE 8 - ADD "THIS NEW INTEREST IN DRUG SUPPRESSION  
MAY ALTER THE STYLE AND ATTITUDE OF THE JAMAICA DEFENSE  
FORCE. WE SHOULD THEREFORE BE ALERT TO NEW OPPORTUNITIES  
TO EXERT INFLUENCE AND GUIDANCE."

6. PAGE 10 RIGHT COLUMN, SUBSTITUTE THE FOLLOWING FOR  
THE SECOND SENTENCE: "AVAILABILITY PROBABLY WILL NOT BE

A PROBLEM IF NEGOTIATIONS ON THE FUTURE OF THE INDUSTRY  
ARE CONCLUDED BETWEEN THE GOJ AND THE ALUMINUM COMP NIES  
IN A MUTUALLY SATISFACTORY WAY. IF, ON THE OTHER HAND,  
THAT DOES NOT OCCUR, THE AVAILABILITY OF JAMAICAN BAUXITE,  
BEYOND STRATEGIC AND DEFENSE NEEDS, COULD PRESENT A  
PROBLEM."

7. PAGE 13 - LEFT COLUMN: UNDER ATTITUDES, AT CONCLUSION  
OF NUMBERED SENTENCE TWO: "HOWEVER, CERTAIN EVENTS AND  
TRENDS MAY WELL INHIBIT SOME INVESTORS."

8. PAGE 17 - COA B 2-3: "THE EMBASSY WILL CONTINUE TO  
SUPPORT AND SEEK TRADE OPPORTUNITIES THROUGH THE COM-  
MERCIAL ACTION PROGRAM AND OTHER TRADE PROMOTION OPPOR-  
TUNITIES IN CONSULTATION WITH THE WASHINGTON ACTION STAFF."

9. PAGE 45 ADD A 1-4: "IMPROVE THE SELECTION OF CU  
GRANTEES WITH A VIEW TO BETTER QUALITY AND MORE MEANINGFUL  
INFLUENCE."

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10. PAGE 50 - CHANGE PCVS FY 1975 TO 210 AND FY 1976 TO  
200.

11. THE COUNTRY TEAM IS REQUESTED TO REVIEW THE U.S.  
INTEREST IN NATIONAL DEFENSE IN THE CONTEXT OF CHALLENGES  
AND OPPORTUNITIES PRESENTED BY THE JAMAICAN ENVIRONMENT  
WITH A VIEW TO RECONSIDERING A HIGHER LEVEL OF CONCERN.  
RECONSIDERATION SHOULD FOCUS ON INCREASING JDF INTEREST  
IN U.S. MILITARY EQUIPMENT, THE IMPLICATIONS OF OUR  
RESPONSIVENESS TO THAT INTEREST ON U.S.-JAMAICAN RELATIONS  
AND ON ANY INDICATION OF SHIFT IN ORIENTATION OF THE JDF  
FROM THE U.K. TO THE U.S. THE STRATEGIC IMPORTANCE OF  
U.S. ACCESS TO BAUXITE AND JAMAICA'S STRATEGIC LOCATION  
MIGHT ALSO BE SIGNIFICANT TO U.S. DEFENSE INTERESTS.  
(THERE IS NO DISCUSSION IN THE CASP OF NON-MAJOR ISSUE

NO. TWO IN TERMS OF NATIONAL DEFENSE OR WORLD ORDER.)

12. IN GENERAL THE VALUE OF THE CASP TO THE IG WILL BE ENHANCED BY (1) CONFINING ASSUMPTIONS USED IN ISSUE RESOLUTION TO RELEVANT ASSUMPTIONS OF FACT AND POLICY, NOT STATEMENTS OF PAST HISTORY, (2) STATE ALTERNATIVES TO THE RECOMMENDED ISSUE RESOLUTION WHICH WERE CONSIDERED AND REJECTED AND EXPLAIN WHY REJECTED -- SEE PROCEDURAL GUIDANCE PAGE 14, (3) DESCRIBE IN NARRATIVE FASHION THE PROJECTED CONDITIONS RELATED TO EACH RELEVANT ENVIRONMENTAL INDICATOR DURING THE TWO-YEAR CASP TIME-FRAME. FOR EXAMPLE, THE STATEMENT ON PAGE 9 THAT U.S. SHARE OF

JAMAICAN IMPORTS WILL PROBABLY DECLINE FROM 40 PER CENT SHOULD BE SUPPLEMENTED BY INFORMATION ON WHY IT MAY DECLINE.

13. DEPARTMENT WOULD APPRECIATE RECEIVING COMMENTS ON THE FOREGOING AND ANY OTHER ALTERATIONS OR IMPROVEMENTS TO THE CASP THE EMBASSY WOULD LIKE TO PROVIDE BY JULY 11. THE IG IS SCHEDULED FOR JULY 19.

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## Message Attributes

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